Interview: Djonny Hartono Tjahyadi – President Director, Enseval, Indonesia



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Djonny Hartono Tjahyadi, president director at Enseval, explains the challenges and opportunities within the Indonesian healthcare logistics and distribution arena and his vision to ensure that the company obtains a sustainable double-digit growth level.

Can you briefly introduce Enseval's main activities and responsibilities?

Enseval was established back in October 1973 and listed on the Indonesian stock Exchange (IDX) in 1994, with ticker code: EPMT. Our company is mainly focused on distribution and logistics services for the entire healthcare spectrum – from pharmaceuticals and medical devices to consumer health and nutritional products.

Enseval is the largest distributor in Indonesia thanks to our strong network, technology, systems and wide geographic coverage in comparison to any competitor in the country.

Being a subsidiary of Kalbe, the number one pharmaceutical company in the country, what role does Enseval play within the group?

Our company is 92 percent owned by Kalbe and naturally, we distribute their products in Indonesia. Nonetheless, Enseval acts as an independent distributor, which means that its portfolio is not limited to Kalbe's products but also includes healthcare solutions from other leading companies such as Beiersdorf for example. I would like to highlight that we are fully committed to the

successful business development of any of our principals.

2016 was a record year for Enseval, reaching USD 1.42 billion in sales. What were your key drivers in this performance?

Indeed, in 2016 we experienced high single-digit growth and it was the best year so far in terms of sales. While we are proud of this achievement, single-digit growth is not enough, especially given Indonesia's market potential. That's why we want to reach double-digit growth moving forward. However, one needs to take into consideration that the distribution landscape is quite challenging on several fronts, including regulation and profit margins, which is making the attainment of this business development goal tough.

In addition, our business related to the distribution of pharmaceuticals is increasingly challenging and less profitable due to the cost-containment approach the government is enforcing primarily with its universal healthcare coverage program. To trade off the downturn in pharmaceutical distribution, we have leveraged our operations in more growing segments, such as medical devices and nutrition as well as other geographic areas; we see an increasing demand for our services in more remote provinces like Kalimantan, Sulawesi and Papua. Finally, efficiency has been key in driving our growth and we are strongly committed to continue enhancing our operational efficiency by incrementally embracing technology in our activities.

To sum up, the key drivers in our performance have been a renewed focus on segments beyond pharmaceuticals, penetrating new geographies and implementing new technology.

What are your main areas to focus on in order to maintain this positive performance?

Enseval's mission is to actively contribute to improving the health quality in Indonesia through product accessibility – this is always going to be the main priority on my agenda.

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Prospecting and developing the most prominent as well as growing healthcare segments, such as nutrition and medical devices will consume my attention as well as persistently highlighting those aspects of the healthcare continuum where Enseval can add most value. At the same time, we need to meet the highest customer satisfaction with limited margins and therefore, financial sustainability will be one of my key focus points as well.

Concretely, we are pursuing four key initiatives to main our positive performance: increasing productivity through technology, optimizing physical assets, continuous operational improvement

and leveraging on other institutions to enlarge the reach of our operations without incurring unnecessary costs.

Enseval's portfolio is divided into four major units: distribution, logistics, healthcare services, and commercial value-added services. What is the relevance of each one of those divisions?

Distribution and logistics are the main contributors to our P&L, contributing around 90 percent of our sales. The remaining two units are still quite small in terms of contribution but we foresee growth coming from our added value services in the future.

Overall, what would you highlight as the main challenges and opportunities impacting the healthcare system in Indonesia from a distribution standpoint?

Infrastructure development, therapy awareness and education, and capacity management are some of the typical challenges within any emerging market, and especially in Indonesia.

Both government and industry should advance together to overcome these obstacles and develop the entire ecosystem together. In addition, there are some inherent challenges specifically related to the distribution industry, such as working capital management and marginal profits, both of which are crucial to ensure financial sustainability of any distributor operations.

On the other side, there is growing demand of healthcare services, both from the 'poor' economic class through JKN but also from the most affluent segment due to the increasing middle class that is seeking access to better treatments with the necessary financial backing. Our opportunity, as distributors, is to ensure that this growing healthcare demand is met on all levels.

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From Enseval's standpoint, we truly believe in the opportunities and we rely on the entire eco-system – including ourselves – to step by step minimize existing healthcare constraints. In this sense, we are continuously scaling up our internal capabilities to ensure that Enseval remains at the forefront of the industry, being able to fulfill the growing healthcare demand in Indonesia.

Technology can improve efficiency as well as efficacy within the distribution industry. How is Enseval embracing the latest technologies in its operations?

We are currently in a hybrid stage in which we are using both manual as well as IT systems in our operations. We project an increasing role of technology in our supply chain but it requires time and patience.

In the sales and distribution side of our business, we have already introduced Enseval network order systemthat eases our client commands through web and mobile applications without any geographic and time restrictions. Further, we have also introduced GPS tracking systems on our trucks to closely monitor the deliveries to our clients.

In the future, technology will absolutely drive our business since it gives easier and closer access to customers and principals as well as it enhances operational outcomes. Therefore, we are fully aligned with the importance of introducing technology and we are positively advancing in this regard, even though there is still a long way to go.

In November 2016 Enseval launched its mobile app EMOS (Enseval Mobile Order System) to provide better service to its principals and clients while enhancing internal operations. Can you expand on interim results?

Our clients have strongly appreciated this app since it facilitates the ease with which they can place new orders. Indeed, 6,000 out of the 10,000 pharmacy chains that we serve have already downloaded the application and 50 percent of our total clients are actively using EMOS. In terms of timeline, the results we managed to achieve during the first few months of rollout are impressive. We expect 80 percent of our clients to use EMOS by the end of this year. In order to promote the adoption of EMOS amongst our clients, we are using several incentive programs for both clients and our sales representatives.

Market is a challenge in Indonesia due to its complex geography and fairly poor infrastructure. How do you ensure that Enseval reaches both urban and rural areas?

Currently, we have 2 regional distribution centers 47 branches under Enseval (EPM) and 27 branches under subsidiary (TSJ), which are equipped with warehousing and other capabilities to provide full service to our clients. Additionally, we have 29 sales offices with only sales teams that reach the more remote areas. Furthermore, Enseval collaborates with more than 210 strategic alliance partners in order to cover more rural areas in which Enseval does not have direct presence.

Our infrastructure network enables us to be really close to our clients, wherever they are. We are as much committed to bringing healthcare solutions to urban areas as to rural areas where market access is more challenging. In total, we are covering more than 200,000 healthcare retail outlets across the country.

What are the main competitive advantages that differentiate Enseval from its competitors?

Firstly, Enseval enjoys an outstanding reputation within the healthcare industry. In addition, we have strong financial sustainability and a fantastic team. Further, we enjoy strong and long-lasting relationships with our clients – especially with local and small wholesalers. Indeed I go as far as to say that we grow together with them. Our infrastructure, both in our head office and in all office branches, is unparalleled in comparison to any of our competitors and enables us to bring healthcare solutions to any part of the country. Last but not least, our continuous improvement and innovation culture ensures that Enseval remains at the forefront of the industry being able to provide the highest level of satisfaction.

We will keep maintaining and improving these company strengths moving forward, also focusing on providing training for our customers. Our relationships far exceed the mere transaction of products.

What are the main objectives you would like to accomplish in the upcoming years as president director of Enseval?

One of my main objectives is to sustainably achieve double-digit growth. In addition, I want to ensure accessibility of healthcare products for our customers. Finally, strengthening Enseval's network and customer insight through IT systems as well as implementing technology across our entire value chain is one of my priorities moving forward.

What is your final message to our international audience?

Enseval, as pharmaceutical and consumer health distribution company will contribute to improving the quality of health through product accessibility in Indonesia. This also includes the rural areas and underserved population all over the country, so that they can get the proper healthcare service for their families.

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